

ECONOMIC COMMENTARY

How the current Slowdown is affecting Alberta's Municipalities – an Update

February 1, 2016

Highlights:

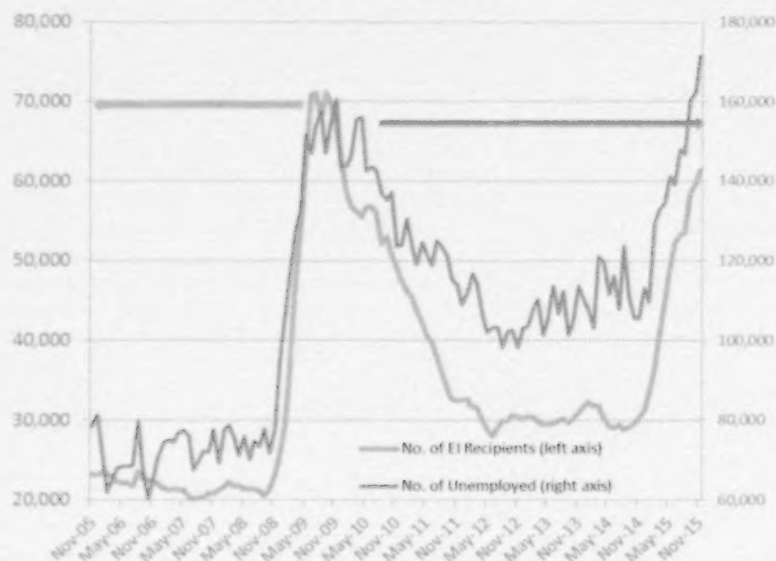
The current economic slowdown has resulted in rapidly rising unemployment in Alberta. The hardest hit municipalities are those that depend on the oil and gas services sector which saw the largest employment losses in 2015.

Overview

Most economic indicators suggest that Alberta is currently in a recession, mainly as a result of sharply lower crude oil prices. According to the latest budget that was released on October 27, 2015 Alberta's economy is expected to have contracted by 1.0% in 2015. The recession has caused Alberta's unemployment rate to rise from 4.6% in January to 7.0% in December as companies in the manufacturing, construction, professional services and especially the oil and gas services sectors have been cutting back. Between October 2014 and October 2015, employment in the oil and gas services sector fell by more than one-third, from 77,011 in October 2014 to 52,043 in October 2015¹.

Unfortunately, there is a scarcity of sub-provincial indicators that show how Alberta's municipalities are doing during this recession. The only indicator that is both fairly timely and available for municipalities is the number of Employment Insurance (EI) recipients receiving regular income benefits. The number of EI recipients is a useful unemployment indicator as EI covers eligible individuals who lose their jobs and who are available for and able to work, but cannot find a job. At the Alberta level the number of recipients has risen from 29,150 in September 2014 to 61,300 in November 2015 while the number of unemployed rose from 110,700 to 171,500 over the same period².

Number of EI Recipients and Unemployed in Alberta



Source: Statistics Canada

¹ Source: Statistics Canada's Survey of Employment, Payrolls and Hours

² There is always a certain proportion of unemployed people who do not qualify for benefits. Some unemployed people have not contributed to the program because they have not worked in the past 12 months or their employment is not insured. Other unemployed people have contributed to the program but do not meet the eligibility criteria, such as workers who left their job voluntarily or those who did not accumulate enough hours of work to receive benefits (source: <http://www.statcan.gc.ca/daily-quotidien/150820/dq150820b-eng.htm>)

EI Trends in Alberta's Municipalities

Four months ago, we released an economic commentary that examined the trends in the number of EI recipients in a number of Alberta municipalities. Since then the number of unemployed and EI recipients has continued to grow and stood about 15% higher in November than in July, which explains the need for this update. Because Statistics Canada rounds all EI estimates to the nearest 10 and because there is considerable volatility in the estimates, especially for the smaller centres, we compared the average number of recipients during the most recent three-month period (September to November) to the average number for the same period of 2014 in the remainder of this commentary.

Table 1 presents the EI trends for Alberta's top 20 municipalities (on an EI basis). For Alberta's two largest municipalities, Calgary and Edmonton, which together account for about 60% of the total number of EI recipients in Alberta, the numbers rose by 104% and 93%, respectively, on a year-over-year basis, comparable to the 101% increase for Alberta as a whole. The main reason for the lower increase in Edmonton than in Calgary is that in Edmonton the construction sector has not seen any major job losses yet (according to the Labour Force Survey) while construction employment fell sharply in Calgary. In Calgary, the number of new housing starts fell by 27% in 2015 from 2014, while in Edmonton it rose 36%. Between July and November of 2015, the number of recipients rose 20% in Calgary while in Edmonton it rose 14%³.

Table 1 - Top 20 Municipalities on EI Basis

	Average number of EI recipients September to November 2014	Average number of EI recipients September to November 2015	Per cent Change
Calgary	7,593	15,520	104%
Edmonton	6,313	12,160	93%
RM of Wood Buffalo	797	1,557	95%
Red Deer	517	1,507	192%
Grande Prairie	370	973	163%
Strathcona County	470	870	85%
Medicine Hat	373	830	122%
Airdrie	387	733	90%
Lethbridge	503	650	29%
Leduc	233	547	135%
St. Albert	313	543	73%
Spruce Grove	223	390	75%
Cold Lake	143	343	140%
Lloydminster	97	333	243%
Fort Saskatchewan	210	330	57%
Okotoks	143	303	112%
Parkland County	180	297	65%
Sylvan Lake	97	270	178%
Brooks	93	253	172%
Bonnyville	80	247	209%

³ Seasonally adjusted EI estimates are only available for Alberta, Calgary and Edmonton. For the other communities only unadjusted estimates are available. Therefore, the discussion for the growth rates in the other Alberta communities can only be done on a year-over-year basis

Among the 10 largest municipalities Red Deer registered the largest increase of 192%. This large increase can be explained by the large share of employment that the oil and gas services sector accounts for (7.2% in 2011). According to the 2011 National Household Survey, the most recent source to include employment estimates at the municipal level, the oil and gas services sub-sector accounted for 2.9% of all jobs in Alberta. A large increase was also registered in Grande Prairie (up 163%) where oil and gas services accounted for 11% of total employment. In Lethbridge, EI recipients only rose 29% because the oil and gas sector accounts for a very small share of employment there. The more interesting observation is the lower than expected 95% increase in the Wood Buffalo region, the centre of oil sands production. Although oil sands investment was sharply lower last year and jobs have been lost in the Wood Buffalo region, many of these lost jobs were occupied by workers from other parts of the province and other provinces, and would not show up in Wood Buffalo's EI numbers. Moreover, oil sands production remains strong and therefore not many jobs have been lost yet at existing production facilities – just at new projects.

For the municipalities that rank just outside the top 10, the largest increase of 243% was registered for Lloydminster, followed by a 209% rise in Bonnyville. In these two communities, oil and gas services employment accounts for 12% to 13% of total employment.

In Table 2, the municipalities with more than 100 EI recipients in 2015 and with the largest year-over-year increases are shown. Most of these municipalities are heavily dependent on the oil and gas sector and on the oil and gas services sub-sector in particular. All of the communities in Table 2, with the exception of Chestermere and Cochrane, have higher shares than Alberta's 2.9% share, ranging from 3.5% in Olds to 13.1% in Bonnyville and the Municipal District of Opportunity. The top five municipalities listed in Table 2 all have shares that are greater than 10%. In Drayton Valley, the number of EI recipients has risen 265% over the past year in part because of its dependence on the oil and gas services sector. In Lloydminster, the Municipal District of Bonnyville, Blackfalds, the town of Bonnyville, the County of Leduc, and Devon the number of EI recipients more than tripled.

A number of the above listed municipalities, such as Leduc, Devon and the County of Leduc, are also heavily dependent on the oil and gas field manufacturing sectors: metal fabrication and machinery. Both of these sectors also saw significant employment losses in 2015.

Table 2 – Largest Increases in EI Recipients

	Average number of EI recipients September to November 2014	Average number of EI recipients September to November 2015	Per cent Change	Oil and gas services share
Drayton Valley	63	230	265%	12.8%
Lloydminster	97	333	243%	11.6%
Bonnyville MD	40	127	218%	10.9%
Blackfalds	57	177	211%	12.0%
Bonnyville	80	247	209%	13.1%
Leduc County	63	193	206%	5.9%
Devon	43	130	202%	4.9%
Red Deer	517	1,507	191%	7.2%
Sylvan Lake	97	270	178%	10.1%
Brooks	93	253	172%	12.9%
Lacombe	67	177	164%	4.8%
Grande Prairie	370	973	163%	11.0%
Chestermere	93	237	155%	1.9%
Rocky Mountain House	80	193	141%	7.0%
Grande Prairie County	83	200	141%	9.8%
Cold Lake	143	343	140%	8.3%
Red Deer County	87	207	138%	6.1%
Leduc	233	547	135%	7.1%
MD of Opportunity	77	177	130%	13.1%
Peace River	47	107	128%	3.7%
Medicine Hat	373	830	123%	5.3%
Olds	47	103	119%	3.5%
Cochrane	100	217	117%	2.1%

Sources: Statistics Canada's EI database and the 2011 National Household Survey

Between the September to November 2014 period and the same period of 2015, the municipalities registering the smallest increases in the number of EI recipients (Table 3) are mostly those with a relatively low share of workers in the oil and gas services sector. For instance, in Lethbridge and Canmore the number of EI recipients rose 29% and 33%, respectively, and their oil and gas services sector shares were only 0.5% and 0.3% in 2011. The exceptions are Yellowhead County, St. Paul County and Slave Lake which have relatively small increases in EI recipients and yet have large oil and gas services sectors.

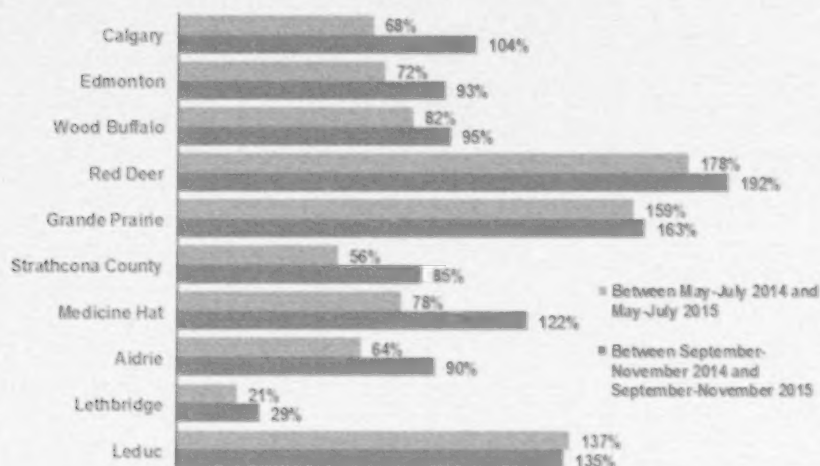
Table 3 – Smallest Increases in EI Recipients

	Average number of EI recipients September to November 2014	Average number of EI recipients September to November 2015	Per cent Change	Oil and gas services share
Lethbridge	503	650	29%	0.5%
Canmore	83	110	33%	0.3%
Yellowhead County	70	100	43%	9.7%
Morinville	90	137	52%	1.1%
St. Paul County	83	127	53%	7.6%
Sturgeon County	103	160	55%	1.6%
Fort Saskatchewan	210	330	57%	3.2%
Hinton	70	110	57%	4.1%
Slave Lake	93	147	58%	9.5%
Parkland County	180	297	65%	2.6%

Sources: Statistics Canada's EI database and the 2011 National Household Survey

In the below chart we examine how much the growth rates in the largest 10 municipalities (on an EI basis) have changed over the past four months, i.e. the year-over-year growth rates from the previous commentary which covered the months of May through July are compared to those of the most recent time period of September through November. The biggest changes in these growth rates were noted for Medicine Hat, where the growth rate was 78% for May through July vs 122% for September through November and for Calgary (from 68% to 104%). Growth rates changed relatively little in Leduc (from 137% to 135%), Grande Prairie (from 159% to 163%) and in Lethbridge (from 21% to 29%).

Year-over-Year Growth in EI Recipients In Alberta's 10 Largest Municipalities*



* On an EI basis
Source: Statistics Canada

In summary, even by the end of 2015, the number of unemployed and of EI recipients in Alberta continued to rise. As the above discussion shows most Alberta municipalities have been impacted by the economic slowdown which resulted from falling oil prices and declining oil and gas investment. The hardest municipalities are generally those that are heavily dependent on the oil and gas services sector.